



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

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111885

HUMAN RESOURCES
DIVISION

March 14, 1980

Mr. Richard B. Lowe, III
Acting Inspector General
Department of Health, Education,
and Welfare



111885

Dear Mr. Lowe:

Subject: [New York Medicaid Fraud Control Unit - Audit Exceptions]

For the past several months we have been evaluating the effectiveness of selected State Medicaid Fraud Control Units authorized by section 17 of the Medicare-Medicaid Anti-Fraud and Abuse Amendments (Public Law 95-142). As part of our work we evaluated the reasonableness of each fraud unit's budget, and on a test basis, checked the validity of their expenditures.

During our review of the New York fraud unit we identified the Federal share of unallowable expenses in the amount of \$52,443, and an unreported Federal share of program income of \$12,787. We discussed these matters with officials of the New York unit who agreed with our classification of the unallowable expenses and the unreported Federal share of program income. While other matters will be discussed in our overall report on the effectiveness of various State fraud units, including New York, we believe the matters discussed in this letter should be corrected as soon as possible. Therefore, we recommend that you initiate action to collect the \$65,230 due the Federal Government from the New York fraud unit.

UNALLOWABLE EXPENSES

The unallowable expenses consisted of \$52,443 charged by the fraud unit to the section 17 grant for the balances of certain imprest funds in its expense reports. These charges were made during the period April 1, 1978, through December 31, 1979. Since imprest funds are assets (cash on hand), we believe the treatment of these funds as expense items is unallowable. We discussed this matter with members of your staff who agreed that the charges were unallowable because the terms of the section 17 grant provide only for the payment of actual program expenses.

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Group III
letter report
(unrestricted)

The amount of the imprest fund balances charged to the section 17 grant are as follows:

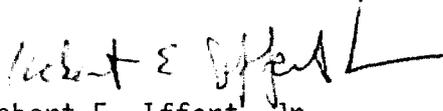
	<u>Federal share</u>
Confidential and petty cash funds	\$39,996
Travel funds	<u>12,447</u>
Total	<u>\$52,443</u>

UNREPORTED INCOME

Federal regulations (45 C.F.R. 74.42) require that program income be used to reduce expenses reimbursed by the Federal Government. The Federal share of the New York fraud unit's program income totaling \$12,787 was neither reported nor used to reduce expenses. This amount included \$1,480 of interest income from a \$25,000 savings account of cash drawn from the confidential imprest fund; \$9,338 reimbursed from Vermont for technical aid; and \$1,969 from other miscellaneous sources, predominantly fees for information provided under the Freedom of Information Act. Also, the fraud unit is continuing to generate program income as the savings account still exists and technical aid to other States, most recently California, is continuing.

If you have any questions regarding these matters, please contact Mr. Jim Kelly of my staff. We would appreciate being advised of the actions you plan to take.

Sincerely yours,


Robert E. Iffert, Jr.
Group Director